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TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [IZ](#) [KCOR](#)
SUBJECT: PRT TIKRIT: CORRUPTED FUEL DISTRIBUTION PROCESS
LEADS TO SEVERE SHORTAGES IN SOME AREAS

REF: A. A. BAGHDAD 462
[1](#)B. B. BAGHDAD 681
[1](#)C. C. BAGHDAD 1149
[1](#)D. D. BAGHDAD 882
[1](#)E. E. BAGHDAD 677
[1](#)F. F. BAGHDAD 2158

Classified By: STEVEN BUCKLER. PRT Team Leader, E.O 12958, reasons 1.5
(b) and (d)

[1](#)1. (U) This is a PRT Tikrit, Salah ad Din cable.

[1](#)2. (C) SUMMARY AND COMMENT. A corrupted refined fuel distribution process in Salah ad Din (SaD) guarantees severe shortages across a large swathe of the southern area of the province, including strategic cities such as Samarra, Balad, and Ad Dujayl. While there are a number of external factors which contribute to the situation) poor highway security, continued low Bayji refinery production levels, persistent ISF extortion and theft of fuel - the persistent disparity in the frequency of fuel deliveries in Salah ad Din appears to be principally driven by a deeply entrenched system of fuel smuggling and market manipulation. The end result is a &choke point8 for fuel in/around Tikrit, ensuring (relatively) plentiful deliveries in the northern areas of SaD (and possibly to Syria as well) but a dearth of fuel in the south. Barring constant pressure exerted by CF and the PRT upon key provincial leaders, with corresponding high levels of engagement and resources (personnel, intelligence focus, etc.) devoted to engaging the Bayji oil refinery and its environs, little positive change will probably occur in the near term. Locally-initiated reform of the fuel distribution process is highly unlikely. The continued inadequacy of basic services - including fuel deliveries) in Salah ad Din remains a chief cause for public discontentment, and is increasingly viewed by many Sunnis here as further evidence of GOI and the Provincial Government,s impotence and/or hostility. END SUMMARY AND COMMENT.

MoO Authority Delegated To...

[1](#)3. (C) Ostensibly responsible for fuel distribution, the Petroleum Products Distribution Company (PPDC) historically coordinated point to point deliveries to governmental fuel stations through its network of local agents in the field. In practice, however, the fuel allocation process in Salah ad Din is heavily influenced by extra-Ministerial power players in coordination with the refinery distribution office (reftel A).

[1](#)4. (C) In a meeting at the refinery on February 19, Oil Minister Shahrastani officially tasked the governors of Salah ad Din (SaD), At Tamim, and Nineveh with planning both provincial allocations and necessary security measures for fuel convoys (reftel B) - marking a departure from the past

by seeming to delegate responsibility for ensuring equitable fuel distribution to provincial governors. (NOTE: The Governor of SaD, Hamad al Shakti, immediately responded that he lacked the security assets necessary to complete the mission. Local ISF escort of certain fuel deliveries had already been occurring in SaD at the time of the announcement, though not to the extent mandated by Shahristani. END NOTE.) Following the February meeting, however, varying interpretations of this directive - among Governors and PPDC officials alike - led to the obfuscation of the essential question: who ultimately decides when each fuel station receives fuel and in what quantities?

...General Abdullah?

¶5. (C) Governor (al Shakti) is a figurehead for the powerful Bayji-area al Qaissi tribe. However, in SaD, Deputy Governor General Abdullah Hussein is the key player on most important security, political, and economic matters (reftel C). Known to own and/or control a number of governmental and private fuel stations in the Tikrit area, Hussein may redirect (via the refinery distribution office) fuel to specified stations. According to Amar Mudher, the PPDC agent for Tikrit, much of fuel distribution in SaD runs through Hussein. Mudher told IPAQ in a confidential interview on March 5 that all fuel issues are decided by the Deputy Governor.8 (reftel D)

¶6. (C) Khalaf Alwan, a long-time PRT contact and the DG of Warehouses (Ministry of Trade) for Salah ad Din, told IPAQ on July 22 that the Deputy Governor leverages most of the fuel delivered to the government station in al Owja, a small village near Tikrit, in order to curry favors and secure

BAGHDAD 00002499 002 OF 004

political loyalty. According to Alwan, Hussein regularly trades 20 barrels of gasoline from the government station in al Owja with local Ministry of Trade distributors in exchange for redirection of food rations designated for Ad Dujayl and Balad to al Alam (Hussein,s hometown).

¶7. (C) In an unusually frank exchange on July 9, Hussein, when asked who controlled the fuel distribution process, stated &I do.8 Later in the interview Hussein appeared to try to mitigate this declaration, asserting that the Provincial Council (PC) Energy Committee allocated provincial deliveries. However, Hussein claimed credit for changing the criteria for allocations - from number of fuel stations to total population - stating that &I changed it because it is fairer.8

Balad Fuel Shortages Acute

¶8. (C) &Fairer8 plans notwithstanding, Balad leaders asserted on July 11 that the city only receives an average of 3 fuel tankers per month (arriving from Baghdad instead of Bayji), a claim largely supported by atmospheric reports. During the meeting, which included the mayor, the local PPDC agent, and key fuel station owners/managers, attendees designated three principal challenges preventing fuel distribution in Balad: the abysmal highway security situation (especially between Balad and Samarra), a lack of available tankers to move product, and an unwillingness by the PPDC officials to allocate them a sufficient amount of fuel. The representatives argued that they were unable to organize fuel convoys to Bayji without support from the Governor and/or Deputy Governor and the Tikrit-based ISF - support generally not received. For the Balad leadership, the implication was clear: Tikrit was unwilling to fulfill its obligation and dedicate the necessary security forces to escort fuel tankers.

¶9. (C) According to the attendees, the Tikrit leadership also engages in active resistance to divert fuel supplies from

Balad. Although the PPDC Director General for Salah ad Din province, Taha Mahmoud, was not overtly criticized (the Mayor stated that he would try to send them a fuel tanker from time to time out of pity), the attendees argued that Mahmoud is reluctant to assign greater amounts of fuel to Balad for fear of retribution from the Tikrit & mafia.8

Situation Also Critical in Samarra

¶10. (C) Echoing leaders in Balad, local officials in Samarra voiced frustration to IPA0 during a meeting on July 15, claiming that fuel deliveries nearly ceased in July, after a brief improvement in May and early June. According to Hassan Abdullah, the local PPDC agent in Samarra, fuel deliveries increased by June 21 to a rate of almost 35 tankers per month. However, Abdullah then stated that from June 21 until July 15 only 5 tankers) gasoline, diesel, and kerosene combined) reached the city. Stating that the chief dilemma was not highway security - in contrast to Balad) attendees reproached Mahmoud and the refinery distribution office for diverting Samarra,s fuel points farther north, utilizing the precarious security situation as a convenient excuse. During the meeting, the Samarra Mayor, Ahmed Abbas, angrily exclaimed that the ISF in Tikrit was stealing all of Samarra,s fuel, and that the Governor wouldn't return his phone calls. However, when IPA0 suggested that he should organize a fuel convoy to Bayji with IA and CF support, Abbas less confidently responded & perhaps.8

Southern Deliveries Plummet Though Overall Supply Increases

¶11. (C) Paradoxically, shortages in Balad and Samarra dramatically worsened throughout July, while at the same time) due largely to increased refinery production - overall deliveries from Bayji to Salah ad Din significantly increased. According to data obtained by the 4th IA, from June 24 to July 22 the number of tankers leaving the refinery for SaD increased from 15 to 35 for gasoline, 22 to 56 for diesel, and 19 to 40 for kerosene.

Frenzy of Activity Shows Local Complicity?

¶12. (C) Recently intensifying focus by CF and the PRT upon SaD provincial fuel deliveries appears to be spurring a frenzy of cross-provincial communication hitherto unseen. In a confidential interview on July 11 (after the large

BAGHDAD 00002499 003 OF 004

gathering) the Mayor of Balad informed IPA0 that the Deputy Governor called him to Tikrit on July 10 to discuss Balad's fuel problems.8 The Mayor also stated that during this meeting, Hussein promised that he would send 200 million Iraqi Dinar (ID) (to be taken from the provincial account) to Balad for the purchase of 3 new fuel tankers. (COMMENT: It is probably not coincidental that this new initiative occurred immediately (the next day) after the candid exchange between Hussein and IPA0 on July 9, suggesting that a more effective lines of communication between Balad and Tikrit) as well as possible complicity - may exist than is usually claimed by local Balad leadership. END COMMENT.)

¶13. (C) In the same light, the Mayor of Samarra, Ahmed Abbas, departed for Tikrit on July 26, 11 days after receiving a surprise visit from IPA0 to discuss a potential fuel convoy, in order to & talk fuel8 with the Deputy Governor. According to local PRT and CF sources on the ground in Samarra, Abbas) believed to be heavily involved himself in the black market for refined fuels - took an immediate disliking to the CF plan when it was revealed that MG Rashid, the commander of all ISF forces in Samarra (and from outside

the area) would be responsible for organizing and executing the convoy.

¶14. (C) The previous PPDC representative responsible for Salah ad Din fuel distribution, Walid Murshed, left the refinery at the end of June, reportedly telling a CF contact that &the Americans are on to me. It's too hot.8 (reftel F) (COMMENT: While it comes as no surprise that Murshed engaged in corrupt practices, the timing of the sudden departure probably reflects a growing apprehension amongst SaD,s elites regarding the intensifying CF attention to provincial fuel distribution. END COMMENT.)

&Like Catching the Air8

¶15. (C) ISF extortion at nearly every stage of the distribution process) from the refinery distribution gates to fuel station pumps) constrains the flow of refined product throughout Salah ad Din (reftel E). Khassem Mohammed told IPAO on July 11 that the IA and the Strategic Infrastructure Battalions (SIBs) in/around Bayji was a significant deterrent to effective fuel distribution. According to Mohammed, who owns several private fuel stations in Balad, two choices confront a fuel station owner when attempting to arrange for fuel deliveries from Bayji. Participation in the IA/SIB convoys heading south ensures extortion at each checkpoint and being made a conspicuous target for AIF attack. After describing the standard &fee8 (100,000 ID) charged by IA/SIB convoy commanders at the refinery in order to be &released8 an IA convoy, Mohammed explained that - when coupled with the 10-20 percent of his load immediately payable to the ISF for &protection8 upon arrival to Balad - a fuel station owner was left with only one choice: to sell the remaining fuel on the black market in order to recoup the investment. Mohammed strongly expressed skepticism that ISF thievery could be eliminated, exclaiming that ending ISF theft of fuel was &like catching the air8 with one's hands.

¶16. (C) Mirroring PPDC fuel allocations from Bayji, the Iraqi Police (IP) in Salah ad Din) which falls under the watchful eye of the Deputy Governor's cousin, General Hamed) appear to be smuggling fuel from the ISF allotment for later sale on the black market (in Samarra). The Samarra Deputy Police Chief in Samarra, Maher Salman, told IPAO on July 15 that the Tikrit police withhold delivery of fuel vouchers earmarked for Samarra security forces, thereby increasing their control over the fuel supply while simultaneously driving black market prices even higher. According to Salman, the vouchers are then exchanged for cash in the Tikrit area.

Black Market Prices Reflect Fuel Distribution Patterns

¶17. (C) Reflecting overall provincial distribution patterns in June and July, black market prices soared in Ad Dujayl and Samarra while remaining relatively stable in Tikrit and Bayji - according to data obtained via atmospheric reports:

--Average black market prices for gasoline, 15-28 June
----Tikrit, 700 ID/liter
----Bayji, 500 ID/liter
----Samarra, 850 ID/liter
----Ad Dujayl, 1,500 ID/liter

--Average black market prices for gasoline, 1-10 July
----Tikrit, 700 ID/liter

BAGHDAD 00002499 004 OF 004

----Bayji, 500 ID/liter
----Samarra, 4,000 ID/liter
----Ad Dujayl, 1,800 ID/liter

--Average black market prices for gasoline, 11-19 July
----Tikrit, 850 ID/liter
----Bayji, 700 ID/liter
----Samarra, 3,000 ID/liter
----Ad Dujayl, 1,800 ID/liter

The New Plan

¶18. (C) For months, provincial leaders appeared extremely reticent to commit to an official provincial distribution plan, instead deferring responsibility to refinery distribution office and Murshed. However, under mounting CF and PRT pressure, Deputy Governor Hussein revealed a new provincial distribution plan (dated June 27) to IPA0 on July 9 which fairly allocates fuel based on population percentage. However, according to data compiled by various sources (atmospheric reports, interviews), there is a significant discrepancy between the plan on paper and actual distribution:

--Official allocation percentage for Samarra) 17%
----Estimated actual percentage legally received) 2.5%

--Official allocation percentage for Balad) 17%
----Estimated actual percentage legally received) 1.5%

--Official allocation percentage for Ad Dujayl) 7%
----Estimated actual percentage legally received) 0%

COMMENT

¶19. (C) It is not news that there is pervasive corruption embedded in the fuel distribution system in Salah ad Din. However, the depth of the corruption reaches to the core of Salah ad Din's social fabric. Although there are key players undoubtedly seeking to enrich themselves - the Deputy Governor, local leaders, refinery distribution officials) the system probably does not ultimately depend upon any one individual. Fuel produced in Bayji is seen by Sunnis here as the only important indigenous source of wealth and a fount of power to be jealously guarded. In this light, it is difficult to imagine that significant locally-initiated reform will occur anytime soon.

¶20. (C) The attainment of more equitable and transparent fuel distribution process for all Salah ad Din residents would be a critical step towards greater governmental legitimacy and better governance. As this is a key objective of the PRT, we will) along with our partners in the BCT - remain highly engaged on this issue. Specific initiatives include the encouragement of Iraqi-led &fuel push8 convoys to Bayji from Balad and Samarra, the sponsoring of informational outreach campaigns regarding fuel distribution issues to previously disconnected city and qada councils, and continued engagement with key decision makers. END COMMENT.

¶21. For additional reporting from PRT Tikrit, Salah ad Din, please see our SIPRNET reporting blog:
<http://www.intelink.sgov.gov/wiki/Tikrit>.
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